



Financial Oversight Committee Meeting

Education Center, 3A Conference Room
1829 Denver West Dr., Building 27
Golden, CO 80401

Meeting Minutes November 30, 2021 – 9:30 a.m.

Financial Oversight Committee (FOC)

Members Present:

Brian Ballard
Leanne Emm, Chair
Gordon Calahan
Charlotte Franson
Scott Tarbox

Committee Members and Staff Absent:

Christine Havlin
Jessica Keene

Staff Present:

Tracy Dorland, Superintendent
Brenna Copeland, Chief Financial Officer
Steve Bell, Chief Operating Officer
Tim Reed, Executive Director of Facilities
Nicole Stewart, Director of Budget & Treasury
Lisa Anderson, Controller
Jeff Caster, Budget Analyst (note taker)
Kami Berube, Sub Secretary (Admin Assist. support)

Independent Auditor and Other:

Paul Niedermuller, Clifton Larson Allen, LLP

Welcome and Introductions: Leanne Emm called the meeting to order and requested a round of introductions.

- Kami Berube introduced herself as the recently assigned Substitute Secretary.
- Gordon Calahan distributed documents pertaining to the Capital Improvement Program and leadership

Approval of Minutes: Leanne Emm called for any changes to the current agenda and for a motion to approve the October 26, 2021 meeting minutes. The motion carried unanimously, and the minutes were approved as presented.

Annual Comprehensive Financial Report (ACFR) & Financial Audit: Brenna Copeland led the review and discussion of the 2020-21 ACFR. She shared that the annual audit process took longer this year, primarily due to staff turnover and a new Director of Finance responsible for preparing the ACFR. Auditor Paul Niedermuller expressed that the transition year [during COVID pandemic response] did create obstacles, time delays, and also learning opportunities throughout the audit process. Steve Bell commended district staff, especially Financial Services, for working through the challenges.

Staff reported that they will be sending the district's finalized financial statements and report for 2020-21 to the Board of Education and members of the Financial Oversight Committee in the afternoon of November 30th, 2021.

Independent financial auditors at Clifton Larson Allen are completing their opinion and will deliver that opinion when ready, to staff and the board of education. The district plans to submit the final audit with the opinion letter to the state by December 31st. The single audit of federal funds will commence in January, delayed by the delay in guidance regarding special COVID related grant funds. The district has submitted an extension request to the state auditor's office, given that the single audit will not be ready by December 31st.

Members of the FOC asked whether the auditor had a preliminary perspective to share on their opinion. CLA responded that they are unable to share any aspect of the opinion until it is finalized.

Capital Improvement Plan (CIP) and Next Steps from the Program Evaluation: Tim Reed and Steve Bell spoke to some key items from the 2018 CIP Financial Status presentation. The group discussion centered on the slide addressing "the new reality". Bell highlighted an inflation factor prepared by the Bureau of Labor Statistics showing

a substantial cost increase in supplies and labor from 2017 to 2021. Additionally, major labor shortages are creating bottleneck issues for completing multiple simultaneous projects.

Committee members noted that 70% of project are under construction or complete and that the addition of bond premium dollars have put the district in a good position to weather these cost increases. Committee members notes that it is beneficial to show how premium dollars can fund additional contingency given sizable cost increases.

Tim Reed reviewed current expenditures and encumbrances slide to detail the total spending towards completed and initiated projects, including Charter schools. He shared that the remaining projects are for renovations. To which committee members asked if that meant that supply chain issues wouldn't impact our remaining projects, and Reed answered that those "supply chain issues" could include aspects all the way down to local delivery and labor sourcing, so those impacts will definitely be felt.

Steve Bell presented a slide regarding the recent Moss Adams report. The report included the following recommendations with discussion points noted under each bullet:

- define local contractors
 - By practice, the district identifies local contractors as those whose offices are between Fort Collins and Colorado Springs, but the *localness* would not outweigh the requirement to select contractors based on best pricing to the district. Reed shared that all potential contractors are already on a vetted list managed by the district.
- clarify senior level employees that are compensated by the CIP
 - Bell explained that the former Superintendent regarded "senior leadership" as members of district cabinet – none of which are funded by the CIP. The district can draft language to explain this.
- review Capital Asset Advisory Committee (CAAC) roles and organization
 - Committee members asked for details on what concerns were identified that warranted this recommendation. Steve Bell responded that he believes their primary concern is with the lack of defined officers or titles that define the governance structure within the committee. The Financial Oversight Committee does designate a Chair, currently identified as Leanne Emm. Brenna Copeland noted that the recommendation may also include clarifying the role and purview of the CAAC as compared to the Board of Education.
- implement separate financial audit of the CIP
 - Paul Niedermuller shared that the district has conducted and continues to conduct an annual financial audit of the entire district – that includes activities and financial statements of funds segregated for capital improvement. Committee members asked what would be different in a separate financial audit that only looks at the CIP. The auditors offered to bring more information to the January FOC meeting.
- create a comprehensive single report of projects funded through the CIP
 - Steve Bell noted that the *flip book* was not designed as a single and final source of information for project planning and expenditures. The running costs and encumbrances are provided in the monthly CAAC meetings. The district is exploring additional reporting mechanisms to address this recommendation from Moss Adams.
- review policies and procedure for project bids, awards, and change orders
 - Bell shared that procedures exist and the district's procurement policies do reference procurement specific to capital construction. The district has asked outside counsel to help review these policies.

Committee members asked that the FOC remain informed on how they can help with deciphering and potentially implementing any of the Moss Adams recommendations, as well as sharing information on the progress of the CIP.

Committee members suggested that CliftonLarsonAllen (CLA) provide a specific presentation on how the CIP is reviewed as part of the annual financial audit. The committee is concerned that an additional audit may be costly and duplicative. This conversation will be revisited in January.

FY22 Revised Budget:

Brenna Copeland presented information that was shared with the board in November and that suggests a revised budget could be helpful for the current fiscal year. The recent October Count continued years of declining enrollment, though the original budget had forecasted an increase. The state adjusted per pupil funding amounts in a positive direction, which will help with the General Fund revenue. The district needs to fully remove charter funds that are passed through to those schools, which will down adjust the General Fund revenue. Expenditures can be decreased in accordance with the October Count true up to school based budgets.

Copeland noted that the newly elected board members will receive a budget update in December and they will provide guidance as to the preparation of a revised budget. This budget would need to be adopted in January, likely prior to the next FOC meeting.

Given that there will not be another FOC discussion in time, committee members did note concerns about spending down additional fund balance that may be necessary in a revised budget, given the scale of corrections necessary.

Committee members noted that they are interested in discussing the FY23 budget process and assumptions. The committee added that it would be helpful to have a whitepaper ready to explain the budgetary concepts so that community members, stakeholders (e.g., employee associations) and partners (e.g., charters) could engage in the budget discussions. Simple graphs were recommended as the best option for breaking information down to be understandable.

FOC Conclusions/Recommendations:

Leanne Emm asked for a volunteer to attend the December 15th BOE Study Session as liaison for the group's recommendations/insight for the revised budget. Members agreed to discuss further via email once they reviewed calendar commitments.

As to general budgetary conclusions, the FOC is uncomfortable with the current high rate of spend-down, but want to better understand the impact of the planned adjustments in a revised budget with the district's financial teams prior to making final conclusions.

Additionally it would be worthwhile to further explore the recommendations from the Moss Adams report in so far as they pertain to the FOC's oversight duties.

The meeting adjourned at 11:34 a.m.